

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 818 - SB 1362

March 24, 2011

SUMMARY OF BILL: Establishes allowance preferences for bids made by businesses that maintain employee comprehensive health insurance programs, defined benefit pension plans, or both. The allowance given to businesses that maintain an employee comprehensive health insurance program will be three percent of the lowest responsive and responsible bidder. The allowance given to a business that maintains an employee defined benefit pension plan will be two percent of the lowest responsive and responsible bidder. The allowance given to a business that maintains both an employee comprehensive health insurance program and a defined benefits pension plan will be five percent of the lowest responsive and responsible bidder.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – \$3,214,100

Assumptions:

- According to the Department of Finance and Administration (DOFA), the state spent approximately \$974,000,000 on fee-for-service professional services contracts (excluding State Building Commission and highway construction projects) in FY09-10.
- DOFA estimates that 10 percent of the total spent on fee-for-service contracts, \$97,400,000 ($\$974,000,000 \times 10\%$), will be subject to this bill.
- DOFA estimates 50 percent of the businesses have comprehensive health plans subject to the three percent allowance, resulting in a recurring increase in state expenditures of \$1,461,000 ($\$97,400,000 \times 50\% \times 3\%$ allowance).
- DOFA estimates five percent of the businesses have a pension plan, resulting in a recurring increase in state expenditures of \$97,400 ($\$97,400,000 \times 5\% \times 2\%$ allowance).
- DOFA estimates three percent of the businesses have both comprehensive health plans and pension plans, resulting in a recurring increase in state expenditures of \$146,100 ($\$97,400,000 \times 3\% \times 5\%$).
- According to the Department of General Services (TDGS), the Department spent \$444,000,000 on contracts subject to the bill in FY09-10. TDGS estimates that 10 percent of the total spent on contracts, \$44,400,000 ($\$444,000,000 \times 10\%$), will be subject to this bill.
- TDGS estimates 50 percent of the businesses have comprehensive health plans subject to the three percent allowance, resulting in a recurring increase in state expenditures of \$666,000 ($\$44,400,000 \times 50\% \times 3\%$ allowance).

- TDGS estimates 20 percent of the businesses have pension plans subject to the two percent allowance, resulting in a recurring increase in state expenditures of \$177,600 ($\$44,400,000 \times 20\% \times 2\%$ allowance).
- TDGS estimates 30 percent of the business have both comprehensive health and pension plans subject to the five percent allowance, resulting in a recurring increase in state expenditures of \$666,000 ($\$44,400,000 \times 30\% \times 5\%$).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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